

# Global Marketing

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Edition

## **Global Marketing and the Digital Revolution** **Chapter 15**

# Learning Objectives

1. List the major innovations and trends that contributed to the digital revolution.
2. Define “convergence” and give an example.
3. Define *value network* and explain the differences between sustaining technologies and disruptive technologies.
4. Identify current trends in global e-commerce and explain how global companies are expanding their presence on the Web.
5. Explain the key issues facing a company when designing and implementing a Web site.
6. Identify the most important new products and services that have been introduced in the past decade.

# The Digital Revolution: A Brief History

- 1937 to 1942: World's first electronic digital computer was developed at Iowa State University
- 1947: The transistor was invented
- 1948: *Information Theory* established binary digits could encode information media using 1s & 0s
- 1950s: Invention of the silicon chip (integrated circuit)
- 1970s: The decade for companies like Atari, Commodore, and Apple

# The Digital Revolution: A Brief History

- 1981: IBM introduced its first Personal Computer (PC); Bill Gates developed MS-DOS for IBM
- 1982: The 286 microprocessor was unveiled
- 1984: Apple introduced the Macintosh
- 1993: The creation of the Pentium processor

# The Digital Revolution: Additional Milestones

- 1969: The Internet can trace its origins (Defense Advanced Research Projects Agency)
- 1972: E-mail was sent for the first time
- 1973: The creation of a cross-network protocol; the true birth of a network of networks or the Internet
- 1993: Tim Berners-Lee invented URL, HTML, and HTTP;  
**The Father of the World Wide Web**
- Mid-1990s: First commercial browser, **Netscape**, was created
- Web users: 1993 - 600,000, 1998- 40 million; today 3 billion
- Search engines Google and Yahoo! Bing have improved security features
- Google: You Tube, Google Glass, Android Op Sys

# The Internet Revolution according to Steve Case, AOL Cofounder

- First Wave: mid 1980s companies like Cisco & Xilinx created core technologies(routers) that were the “on ramps” to the Internet
- Second Wave: 2000-2014; focus shifted to building on top of the Internet: search engines, encryption & security, social media
- Third wave: A future when the Internet is seamlessly integrated into everyday life; already occurring with Lyft & Uber. An era of reinvention & disruption in key economic sectors

# Case's Third Wave Trends

- **Capital for all:** global crowdfunding
- **Reemergence of partnerships** where *who* a company partners with is as important as *what* it does
- **Social enterprise** that links profit & purpose
- **Rise of the rest:** globalization of entrepreneurship becomes regional, not in small areas like Silicon Valley

# Industry Convergence

“The 2000s were the broadband decade, the disintermediation decade, the file-sharing decade, the digital recording (and image) decade, the iPod decade, the long-tail decade, the blog decade, the user-generated decade, the on-demand decade, the all-access decade. Inaugurating the new millennium, the Internet swallowed culture whole and delivered it back—cheaper, faster, and smaller—to everyone who can get online.”

Jon Pareles, New York Times columnist

# Industry Convergence

1990

Telephones

Consumer  
Electronics

Computers

Photography

**Convergence: The coming together of previously separate industries and product categories.**

2015

Telephones

Consumer  
Electronics

Computers

Photography

# Value Networks and Disruptive Technologies

- Innovator's Dilemma
- Value network
- Sustaining Technologies
- Disruptive Technologies

# Innovator's Dilemma

- Staying committed to a current, profitable technology
- Failing to provide adequate levels of investment to new and possibly risky technologies
- Company is responding to the needs of established customers

# Value Network

- Found in every industry
- Cost structure that dictates the margins needed to achieve profitability
- Boundaries are defined by the unique rank ordering of the importance of various product attributes
- Each network has its own metrics of value

# Sustaining Technologies

- Incremental or radical innovations that improve product performance
- Most new technologies developed by established companies are sustaining in nature
- The vast majority of innovations are sustaining in nature

# Disruptive Technologies

- Redefine performance
- New entrants to an industry
- Enable something to be done that was previously deemed impossible
- Enable new markets to emerge

# Five Principles of Disruptive Innovations

1. Companies are dependent on customers and many innovations are customer-driven. By listening to those long-established customers, opportunities may be missed.
2. Small markets don't solve the growth needs of large companies.
3. Markets that don't exist can't be analyzed.
4. An organization's capabilities define its disabilities.
5. Technology supply may not equal market demand.

# Global E-Commerce

- Every 48 hours, Yahoo records more than 24 terabytes of data about its users' online habits— equal to all the information contained in all the books in the Library of Congress
- Between 2003 and 2014, the number of Internet users in China increased from 68 million to 640 million; 460 million + Chinese shop online; Chinese Alibaba rivals Yahoo, Google, eBay
- Online retail & travel sales in Western Europe grew at a CAGR of 8% between 2008-2014; By 2018, 75% of Europeans will shop online, up from 65% in 2013

# Global E-Commerce

- Divided into three broad categories
  - **Business to Business (B2B)** largest share of the Internet economy
  - **Business to Consumer (B2C)** iTunes
  - **Consumer to Consumer (Peer to peer)** eBay

# Web Sites

- **Promotion sites:** marketing communications
- **Content sites:** news and entertainment;  
support PR
- **Transaction sites:** online retail operations
- Web sites can function as all three

# Internet as a Communications Tool

“Content for broadband costs significantly less than TV...and distributes to a much larger audience.”

Ad Agency Executive

Unilever digitized TV commercials stored as product videos, and created Web series for Yahoo! Food built around Hellman's Mayonnaise.

# Internet Retail Sales

- U.S online retails sales \$300 billion in 2014; \$370 billion by 2017
- Companies like A&F, Saks, Timberland, Coach trying to attract foreign buyers
  - Strong U.S. dollar has Americans ordering from abroad
  - Delivery companies like FedEx, UPS, & DHL are acquiring & partnering with other firms from seamless delivery

# Luxury Retailers and the Internet

- Many do not sell online but use the Internet to inform and promote
- Concern that the brand essence cannot be communicated online but changing
- Smartphone and iPad apps and Facebook communities aim to “create a dialog and get consumers connecting with our brand”.

# The Long Tail

- Use of efficient economics of online retail to aggregate slow-selling products
- eBay, Amazon.com., Netflix, iTunes

“...The Long Tail is really about the economics of abundance...what happens when the bottlenecks that stand between supply and demand in our culture start to disappear and everything becomes available to everyone.....These millions of fringe sales are an efficient, cost-effective business...hits and niches are on equal footing.”

**Chris Anderson, Author and Editor of Wired**

# Web Site Design

- Internet potential requires using interactive media
- Key issues
  1. Register a country-specific domain name—  
Cybersquatting
  2. Arranging payment—credit card usage rate, fraud, postal money order or bank check
  3. Localizing sites—reflect local culture, language, aesthetics
  4. Addressing privacy issues—EU laws more stringent
  5. Setting up distribution—local sales tax issues

# Broadband

- Has sufficient capacity to carry multiple voice, data, or video channels simultaneously
- Bandwidth determines the range of frequencies that can pass over a transmission channel
- Streaming audio and video; 48 million players on Xbox live worldwide

# New Products and Services

- Cloud Software will not be installed on a computer hard drive but through a web browser
- Smartphone sales in 2014 of 1.3 billion
- SMS texting to move to other channels like TV, the Internet, e-mail.
- Apple and Android systems
- Apps—iTunes store has over 50 billion downloads

# Mobile Advertising and Mobile Commerce

**NAVTEQ Media Solutions™**  
**Case Study**  
**McDonald's is lovin' the results of their location-aware ad campaign with NAVTEQ**  
McDonald's achieves a 7% click-thru rate with 39% clicking to route them to the nearest McDonald's restaurant

McDonald's Finland wanted to test the impact of a location-targeted mobile ad campaign on driving foot traffic into their locations. The goal of the campaign was to entice mobile-connected consumers to come to a nearby McDonald's restaurant.

The plan called for targeting consumers within a certain distance of a McDonald's restaurant with a location-aware ad heralding a special offer, which would in turn trigger a mobile map and directions to the nearest restaurant. Together with NAVTEQ, the leading provider of map, traffic, and location data, McDonald's demonstrated that location-based advertising is a powerful means of converting a mere passer-by to a paying in-store customer.

**“** We are thrilled with the results from this campaign. NAVTEQ LocationPoint proved that location targeted mobile advertising does indeed drive foot traffic into our restaurants. Targeting consumers when they are near our locations and then navigating them right into our stores is powerful marketing for McDonald's. **”**

— Tomi Wirtanen  
Head of marketing,  
McDonald's Finland

Enabled by NAVTEQ LocationPoint™ Advertising, McDonald's delivered location-relevant mobile ads to users of Nokia Ovi Maps when they were within five miles of any of McDonald's 82 restaurants in Finland. The ad campaign promoted a McDonald's cheese burger for 1 euro, resulting in a solid, measurable ROI, a 7% click-thru rate. Consumers clicked on the ads to see promotion details and receive directions to the nearest store location. Of users who clicked through, 39% selected the click-to-navigate option which offered “drive to” or “walk to” navigation to the nearest McDonald's location.

One of the most important objectives for a retail marketer is getting people to walk in the door. Location targeting combined with click-to-navigate functionality in a mobile campaign like this one is transforming mobile into a direct response channel for brick-and-mortar advertisers like McDonald's.

**Good advertising moves people.  
Great advertising moves with them.**

**NAVTEQ**  
Media Solutions™  
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- Term for conducting commercial transactions using cell phones
- Wi-Fi
- Cellular data plans via 3G, 4G networks
- Tablets like iPad, Galaxy
- Mobile ad spending: \$1 billion in 2007; \$43 billion in 2014
- GPS on phones led to location-based advertising

# Mobile Commerce

- Bluetooth—uses less power than Wi-Fi, works well with cell phones and covers shorter distances than Wi-Fi
- Handles data, not voice
- Telematics: Cars can exchange info about location or mechanical performance

# Mobile Music, Gaming & Payments

- iTunes downloads in 2006 reached 1 billion; cumulative total of 25 billion downloads
- Cloud-based music systems offer a locker for storing music that is accessed by a variety of mobile devices
- Mobile Gaming revenues of \$17.6 billion in 2015
- E-sport: video game competitions where pro gamers compete for cash prizes
- Mobile payments exploded with Apple Pay with iPhone 6 in 2014; more important role of security after credit card cyber-theft at Home Depot, Target

# Streaming Video

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1 billion	Number of people who tune into YouTube each day
300 million	Number of hours of video viewed on YouTube each day
300	Number of hours of new content uploaded to YouTube every minute

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Global penetration of broadband Internet service has fueled the growing popularity of global digital video services such as YouTube, Facebook, Instagram, Twitter, Netflix, Meerkat

# Internet Phone Service

- The “next big thing” for the telecommunications industry
- VoIP—Voice over Internet Protocol
- Has the potential to render the current telecommunications infrastructure obsolete
- Currently only accounts for a small percentage of total global calling
- Skype acquired by Microsoft for \$8.6 billion in 2011

# Digital Books & Electronic Reading Devices and Wearables

- Amazon's Kindle, Barnes & Nobles' Nook, Apple's iPad may help newspapers & magazines
- Textbooks are a huge market opportunity for publishers
- Piracy is a concern for many authors
- Wearables like Google Glass & Apple Watch are reaching a tipping point.
  - 6 million units in 2013
  - 113 million units in 2018